

## Gas Network Vulnerability and Carbon Monoxide Allowance (VCMA) Governance Consultation



### **Energy Action Scotland Response**

Energy Action Scotland<sup>1</sup> is the Scottish charity dedicated to ending fuel poverty. Energy Action Scotland has been working with this remit since its inception in 1983 and has campaigned on the issue of ending fuel poverty and delivered many practical as well as research projects to tackle the problems of cold, damp homes. Energy Action Scotland works with both the Scottish and the UK Governments on energy efficiency programme design and implementation. Energy Action Scotland welcomes the opportunity to respond to this consultation.

Energy Action Scotland's response focuses primarily on those areas that it considers may impact most on fuel poor and vulnerable consumers. Energy Action Scotland is not a health organisation, but we are concerned about the health impacts of living in fuel poverty and that respiratory conditions which are exacerbated by living in a cold, damp home make up a high proportion of Scotland's excess winter deaths, which are linked to living in fuel poverty.

A household is considered fuel poor in Scotland if the household's fuel costs are more than 10% of its income and what is remaining is not enough to maintain an acceptable standard of living.<sup>2</sup> Fuel poverty is driven by four main issues, these being high energy costs, low disposable incomes, poor energy efficiency of homes and how energy is used in the home.

### **Comments on general provisions**

We welcome that there is a role for Social Return on Investment in determining the 'value' of activities enabled. The section on "Eligibility Criteria" states that VCMA Projects must have "a positive Social Return on Investment". There is little detail about how to approach this assessment criteria nor what constitutes a positive outcome. In effect it is left to network operators to decide the parameters by which their own values or in some cases the values of stakeholder groups are attributed to various outcomes and what uplifts if any can be applied to vulnerable groups.

The development of an agreed and standard SROI framework to attribute value for range of VCMA activities would be a significant undertaking in itself and has the potential to constrain innovation should this result in a narrowing of options. We urge Ofgem to provide guidance on what it considers to be achieving progress on the basic building blocks<sup>3</sup> of a SROI assessment that benefits **vulnerable groups**, and ensures

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<sup>1</sup> [www.eas.org.uk](http://www.eas.org.uk)

<sup>2</sup> Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019

<sup>3</sup> [https://socialvalueint.org/wp-content/uploads/2018/05/Principles-of-Social-Value\\_Pages.pdf](https://socialvalueint.org/wp-content/uploads/2018/05/Principles-of-Social-Value_Pages.pdf)

recognition of the valuable contribution to wider society of awareness raising of the very real dangers of CO poisoning.

We recommend that there is a universal requirement for energy / financial advice as integral to any vulnerable consumer intervention, including projects where the primary message is around avoidance of CO poisoning. Being in the position to engage with vulnerable, financially excluded, and hard-to-reach groups removes one of the most challenging barriers to raising consumer awareness of energy efficiency and financial mechanisms to relieve hard hit families.

### **Comments on specific provisions**

#### **2.2 “percentage split between different types of VCMA Projects”**

The range of projects that could be described as meeting “consumer vulnerability” outcomes could be a very broad range of activities whereas those related to CO are much more narrowly defined. CO safety is a concern for all users of combustion appliances and therefore activity in this area has a much greater potential to impact on the experiences of all gas customers. By their nature and indeed by the strict application of the “Eligibility Criteria”, those defined as meeting “consumer vulnerability” outcomes will be targeting a more distinct and smaller sub-group of the total customer base meaning that each £1 spent will have the potential to reach fewer customers than a more general CO campaign.

Clear differentiation and targeting of activity will remove the risk that much of the “use-it or lose-it allowance” will be utilised in mass market, and un-targeted initiatives which often return a greater per capita impact yet have limited long term behaviour change impact. What further complicates this balancing of impact and reach is that the value principles should align with SROI<sup>4</sup>. In such a framework it could be understood that the impact/value of CO activities may in fact be much greater where the target audience is also identified as a vulnerable group. We agree that the proportion of allowed spend on VCMA projects should not be rigidly proscribed. However, it would be helpful to define an expectation of a minimum impact for vulnerable consumers across all activities funded.

#### **2.10 b) “provide a direct Net Benefit to consumers in Vulnerable Situations”**

We believe that there needs to be clear guidance on the basic building blocks for a SROI. If this is provided this will influence the design and delivery of activities that aim to provide positive impact for vulnerable groups. It could ensure that there is a greater alignment strategically with Government policy and strategy in support of those with health inequalities<sup>5</sup>, financial stress etc

#### **2.12 b) “the household cannot afford to repair or replace the boiler”**

#### **2.12 c) “sufficient funding is not available from other sources”**

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<sup>4</sup> <https://socialvalueint.org/wp-content/uploads/2018/05/Social-Value-Principles-and-Accountability.pdf>

<sup>5</sup> <https://www.gov.scot/publications/fuel-poverty-target-definition-strategy-scotland-bill-fuel-poverty-strategy/pages/1/>

We do not believe that it is clear what determines affordability in this context.

Affordability can be a transitional issue for many e.g. seasonal workers will have regular periods in the year where their financial position is stretched. If households who are fuel poor / low income are able to arrange for boiler repairs or replacements via existing national schemes e.g. ECO, NEST or Warmer Homes Scotland, this should be considered the primary source of funding. However, if a delay is likely for scheme administration and the household's need is immediate due to a health need, then there should be some flexibility to allow the GDN to support the household.

Energy Action Scotland believes that affordability needs to be linked to the national definition of fuel poverty with some proviso in the case of households with care needs or children under 5.